Item #180211

GRU BY THE NUMBERS
ADDENDUM 1

More than Energy

Request for Proposals ("RFP")
Senior Managing Underwriter and Underwriting Syndicate
~$208 million fixed-rate transaction

November 20, 2018

Overview

Gainesville Regional Utilities ("GRU") is seeking proposals from various banks to serve as part of GRU's underwriting syndicate for a planned transaction in early 2019. While timing is still to be determined, GRU would like to come to market as soon as February and as late as April.

This bond transaction is expected to resource the following:

- $93 million to fix out Commercial Paper
- $40 million for additional capital needs (previously planned as CP issuance)
- ~$75 million in additional capital needs, to include reimbursement of UPIF

Information pertaining to GRU is located at the following website:
https://www.gru.com/AboutGRU/InvestorRelations.aspx

Information Requested Pertaining to the 2019 transaction:

Please address the following:

- Structure. It is GRU's goal to avoid unnecessary rate increases for the period 2019 – 2024. Provide a proposed structure for GRU's consideration and decision assuming the transaction closes on 27 February 2019. Use MMD as of close of business 28 November. Please also address:
    - Reasoning for the recommended structure.
    - Any enhancements that can be included to reduce overall debt service from this transaction as well as the risk/return trade-offs of these options.
    - Scale for pricing GRU's bonds (assume 5% coupons and then a discount structure).
- Rating Agency. Given new criteria provided by Fitch and S&P, detail your bank's thoughts and expectations on GRU's engagement with either agency. Specifically address:
    - The possibility of a downgrade given new criteria.
    - If a possibility, how should GRU address areas that have the most ability to cement the rating at the current level (AA-) with that respective agency?
- Fees. Based on your proposed structure, provide takedowns by maturity. Include an estimate of other underwriter expenses. Include the names of three firms and the specific counsel your bank would like to use as Underwriter's Counsel.

Submission Instructions

- Firms should include all relevant information necessary for GRU to make a final decision on structure and banking syndicate roles and responsibilities.
- GRU reserves the right to select all or no banks and to conduct a competitive sale.
- Page limit is 7 with a minimum font size of 10. GRU appreciates brevity and clarity in all responses.
- Powerpoint can be utilized in place of a word document. However, the same page limitation applies.
- Cover letter and appendices, if included, do not count against the page count

All responses are due via e-mail on or prior to, **5:00 P.M. (EST), December 6, 2018**, to the following individuals:

Claudia Rasnick
Chief Financial Officer
Gainesville Regional Utilities

Telephone (352) 393-1313
rasnickce@gru.com

Chris Lover
Managing Director
PFM Financial Advisors LLC

Telephone (704) 319-7923
LoverC@pfm.com

GRU expects to determine banking roles and responsibiliites by 15 December.

Should you have any questions regarding this RFP, please do not hesitate to call Chris Lover (704) 319-7922 or Brynne Miller (704) 319-7934.

ADDENDUM 2

GRU℠

More than Energy

Requests for Proposals ("RFP") for
Variable Rate Underwriting Services and Credit Enhancement
Supporting
Variable Rate issuance of ~$70 million

December 28, 2018

Overview

Gainesville Regional Utilities ("GRU") expects to issue approximately $70 million of Variable Rate debt to restructure currently outstanding variable rate debt maturing in 2019 – 2025. The intent would be to amortize the new variable rate debt with a final maturity of ~30 years. This transaction is planned to close the end of March, approximately 2 weeks after the pricing of the planned $208 million new money transaction.

GRU is seeking information from various banks relating to variable rate underwriting services as well as a Standby Bond Purchase Agreement (SBPA) to provide liquidity support if VRDBs are the preferred variable rate product for this transaction. See attached preferred form of SBPA.

Currently, the following bonds are targeted for the restructure, subject to further discussions with counsel:

	Refunding Maturities To and Including:							
VR Restructuring Candidates	10/1/2019	10/1/2020	10/1/2021	10/1/2022	10/1/2023	10/1/2024	10/1/2025	SUM
2005 Series C	3,710,000	3,835,000	3,975,000	4,105,000	1,420,000	1,470,000	1,520,000	20,035,000
2006 Series A	655,000	2,645,000	3,840,000	3,975,000	1,375,000	1,415,000	1,470,000	15,375,000
2007 Series A	385,000	1,775,000	1,850,000	1,925,000	400,000	2,095,000	2,185,000	10,615,000
2008 Series B	-	-	-	900,000	6,500,000	6,800,000	7,100,000	21,300,000
2012 Series B			1,620,000	140,000	100,000	-	500,000	2,360,000
Total (Tax Exempt)	4,750,000	8,255,000	11,285,000	11,045,000	9,795,000	11,780,000	12,775,000	69,685,000

In making this decision, GRU will consider the most cost effective means to restructure the current VRDBs identified in the table above. This can include SIFMA or LIBOR-based FRNs, VRDBs or a Direct Purchase. GRU will also consider SOFR-based products.

GRU's senior bonds are rated as "Aa3 (stable outlook)", "AA- (stable outlook)" and "AA- (stable outlook)" by Moody's Investor Services, Inc; Standard & Poor's Rating Services; and Fitch Ratings, Inc., respectively.

Information Requested Pertaining to Variable Rate Options:

GRU would like to hear your firm's thoughts on

1. **SIFMA or LIBOR-based FRNs:**
    a. Provide a brief discussion of the overall FRN market in 2018 and investor appetite.
    b. What is the expected spread to each index option?

c. Please provide your firm's thoughts, to include pricing, on the use of an alternate index, such as the Secured Overnight Financing Rate (SOFR).
d. GRU will consider 3 through 5 year maturities and would like to compare both a hard and soft put options.
e. What are your expected takedowns and underwriting expenses for these FRN's (disclosure will be updated for the 2019 new money transaction).

2. Variable Rate Demand Bonds

a. Provide a brief discussion of the overall VRDB market in 2018 and investor appetite.
b. Provide a recommendation for daily versus weekly mode.
c. What are your expected takedowns and underwriting expenses for these FRN's (disclosure will be updated for the 2019 new money transaction).
d. If your firm would like to serve as the remarketing agent, provide a brief summary of your experience and fees to serve as remarketing agent. Additionally, detail if your firm has any existing policies and/or the availability of the team responsible for providing remarketing services to provide regular updates to GRU on the performance of this variable rate series.
e. If your firm would like to provide the liquidity facility supporting the VRDBs, please address the following items in a term sheet:

1) Name of the bank and principal contact including telephone, fax and e-mail.

2) Current long-term and short-term ratings of the bank. *Long-term ratings must not be lower than A/A2/A (Fitch/Moody's/S&P), and short-term ratings must not be lower than F-1/P-1/A-1 (Fitch/Moody's/S&P).*

3) Description of proposed credit facility, credit facility amount and fees for terms. Three year facilities are preferred but GRU will consider other alternative tenors. Please include detail on all fees, including proposed legal fees for both domestic and foreign (if applicable) counsel and a cap on those fees, any proposed termination fees or expenses or any other fees associated with terminating this agreement prior to the end of its initial stated term.

4) Proposed term loan amortization. *At a minimum, GRU requires that any advances made by the bank and not repaid from the remarketing of the notes be "termed-out" in equal semi-annual installments over a period not less than 5 years.*

5) Proposed interest rate for advances and the method of calculation for the interest payments.

6) Detail the total assets from the bank's most recent audited financial statement. GRU requires at least $10 billion in total assets.

7) Provide determination of taxability language. It is expected that a Determination of Taxability should only apply due to actions/inactions of the City (and/or GRU).

8) Please explain the formula or indices to be used in the event that index is not available or is no longer being determined by the entity responsible for setting the index rate;

9) Please provide any other adjustments that may result in a change in the formula or index that is being provided, such as capital adequacy or marginal corporate tax rate changes.

10) Outline your credit approval process and ability to meet a deadline of completing all necessary documentation by end of February.

3. **Direct Purchase**
   a. Provide a recommendation why GRU should select this alternative.
   b. GRU would prefer a 3 year facility but will also consider facilities up to 5 year.
   b. What are your expected fees and expenses for a direct purchase
   c. Please provide a term sheet, with information similar to what is detailed for the VRDBs to include maturity, put dates and amortizations.
   d. Detail your firm's expectations for ratings and disclosure for a direct purchase.
   e. Provide determination of taxability language. It is expected that a Determination of Taxability should only apply due to actions/inactions of the City (and/or GRU).
   f. Please explain the formula or indices to be used in the event that index is not available or is no longer being determined by the entity responsible for setting the index rate;
   g. Please provide any other adjustments that may result in a change in the formula or index that is being provided, such as capital adequacy or marginal corporate tax rate changes.
   h. Detail the Prepayment terms

Documentation

The preferred form of SBPA is attached to this RFP. It is GRU's preference and expectation to enter into a substantially similar SBPA/Reimbursement Agreement for this facility. Please provide comments to sections of this document that your firm would request to change. In particular, GRU would like to review the following:

- Replacement rate (and process for selection) if proposing LIBOR-based variable rate products
- Provisions and circumstances for increased cost pass-through. It is GRU's expectation that *if* a termination fee applies, this would be waived in the event increased costs are passed to the Utility.

Additional Information about GRU

The GRU website has additional information, including the audited financial statements (https://www.gru.com/AboutGRU/InvestorRelations.aspx).

Submission Instructions

GRU appreciates clear and concise responses.

All responses are due via e-mail on or prior to, **5:00 P.M. (Eastern), Tuesday, January 15, 2019** to the following individuals:

Claudia Rasnick Gainesville Regional Utilities (352) 393-1313 Rasnickce@gru.com	Chris Lover Public Financial Management (704) 319-7922 LoverC@pfm.com

ADDENDUM 3

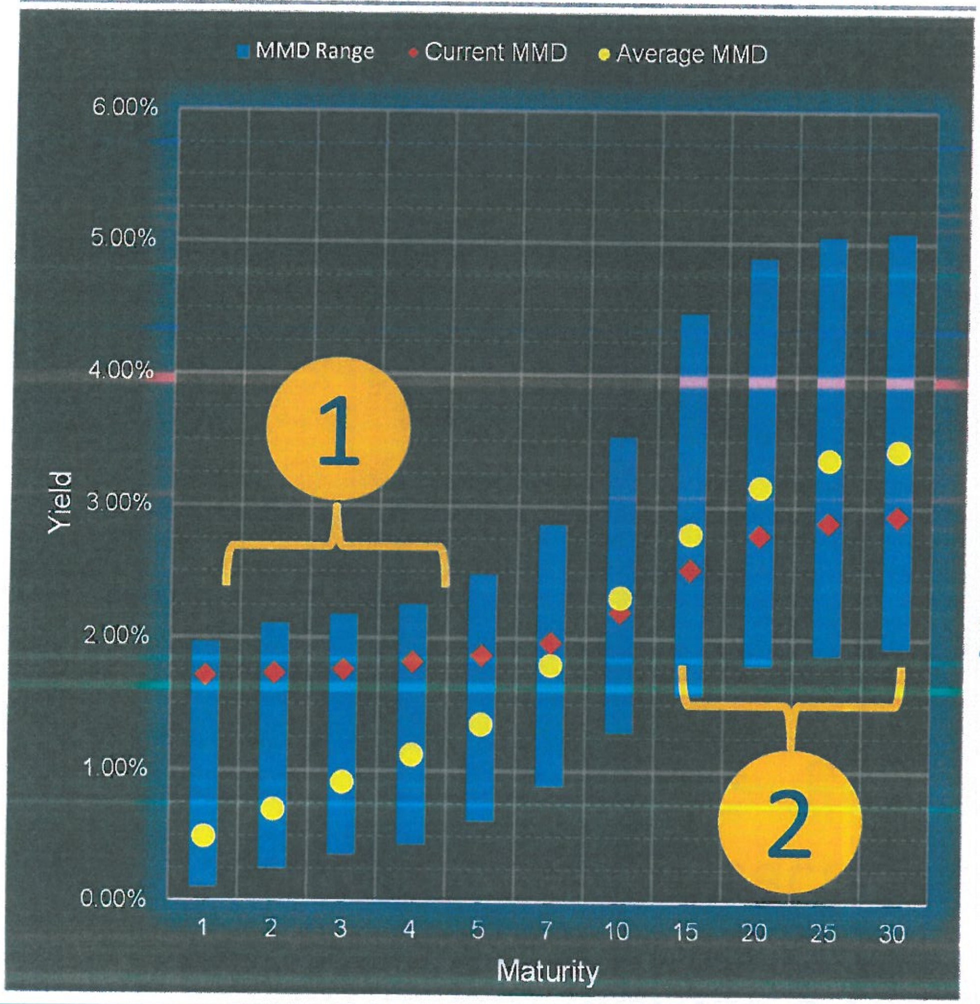
	2019 TRANSACTION			
	2019 Series A	2019 Series B	2019 Series C	Total
Funds for Future Projects: FY20 & FY21	73,000,000	8,000,000	10,000,000	91,000,000
Convert Variable Rate Commercial Paper to Long Term Fixed Rate Bonds	85,000,000	8,000,000		93,000,000
Bonding of UPIF Funded Projects	23,000,000			23,000,000
Restructure of Variable Rate Debt		10,115,000	56,910,000	67,025,000
Total	181,000,000	26,115,000	66,910,000	274,025,000

	2019 TRANSACTION			
	2019 Series A	2019 Series B	2019 Series C	Total
Funds for Future Projects: FY20 & FY21	73,000,000	8,000,000	10,000,000	91,000,000
Bonding of UPIF Funded Projects	23,000,000			23,000,000
Bond Premium	(22,578,873)			(22,578,873)
Escrow & Issuance Costs	958,873	1,015,000	660,000	2,633,873
Total New Debt	74,380,000	9,015,000	10,660,000	94,055,000
Convert Variable Rate Commercial Paper to Long Term Fixed Rate Bonds	85,000,000	8,000,000		93,000,000
Restructure of Variable Rate Debt		10,115,000	56,910,000	67,025,000
Total Refunded Debt	85,000,000	18,115,000	56,910,000	160,025,000
Total Par Amount of Bonds	159,380,000	27,130,000	67,570,000	254,080,000

ADDENDUM 4

Municipal Market Overview: Current Market Rates

Municipal Rates over the Past Decade



1 Short Term Rates are high, above their 10 year average and expected to go higher

2 Long Term Rates have remained stable and are below their 10 year average

<u>Conclusion</u>: It is a good time to transition GRUs Commercial Paper (short term rates) to Long Term Bonds

GRU[SM] More than Energy

Municipal Market Overview: A Dynamic Market

Interests rates that impact GRU's (*<u>and your</u>*) borrowing costs change constantly…

Changing around the clock…around the world

GRU More than Energy

ADDENDUM 5

	[1]	[2]	[3] [1] - [2]	[4]	[5]	[6] [5] - [4]	[7]	[8] [3] - [6] + [7]	
	"PURE" REFUNDING								
FY	Prior Debt Service	Refunding Debt Service	Savings (Expense)	Debt Service: Planned FY21 Transaction in Rate Structure Per Corporate Model	Total Debt Service Per Proposed 2019 Transaction	Difference: Debt Service Proposed 2019 Transaction vs Corporate Model	Refunding Debt Service	"Pure" Refunding Savings Less Difference in D/S Proposed 2019 Transaction vs Corporate Model plus Refunding Debt Service = Savings (Expense)	Cumulative Debt Svc Savings FY19 - FY24
19	10,553,737	655,302	9,898,435		5,440,640	5,440,640	655,302	5,113,097	
20	14,754,661	1,479,404	13,275,257		10,317,073	10,317,073	1,479,404	4,437,588	
21	14,713,331	1,766,929	12,946,402	7,122,844	10,654,923	3,532,079	1,766,929	11,181,252	
22	12,269,587	1,982,573	10,287,014	7,122,844	10,908,310	3,785,466	1,982,573	8,484,121	
23	10,641,539	2,054,454	8,587,085	7,122,844	10,992,773	3,869,929	2,054,454	6,771,610	
24	12,242,858	2,054,454	10,188,404	7,122,844	10,992,773	3,869,929	2,054,454	8,372,929	44,360,597
25		2,054,454	(2,054,454)	7,122,844	10,992,773	3,869,929	2,054,454	(3,869,929)	
26		2,054,455	(2,054,455)	7,122,844	10,992,773	3,869,929	2,054,455	(3,869,929)	
27		2,054,454	(2,054,454)	7,122,844	10,992,773	3,869,929	2,054,454	(3,869,929)	
28		2,054,455	(2,054,455)	7,122,844	10,992,773	3,869,929	2,054,455	(3,869,929)	
29		2,054,454	(2,054,454)	7,122,844	10,992,773	3,869,929	2,054,454	(3,869,929)	
30		2,054,455	(2,054,455)	7,122,844	10,992,773	3,869,929	2,054,455	(3,869,929)	
31		2,054,454	(2,054,454)	7,122,844	10,992,773	3,869,929	2,054,454	(3,869,929)	
32		2,054,454	(2,054,454)	7,122,844	10,992,773	3,869,929	2,054,454	(3,869,929)	
33		2,054,455	(2,054,455)	7,122,844	10,992,773	3,869,929	2,054,455	(3,869,929)	
34		2,054,454	(2,054,454)	7,122,844	10,992,773	3,869,929	2,054,454	(3,869,929)	
35		2,054,455	(2,054,455)	7,122,844	10,992,773	3,869,929	2,054,455	(3,869,929)	
36		2,054,454	(2,054,454)	7,122,844	10,992,773	3,869,929	2,054,454	(3,869,929)	
37		2,054,455	(2,054,455)	7,122,844	10,992,773	3,869,929	2,054,455	(3,869,929)	
38		2,054,454	(2,054,454)	7,122,844	10,992,773	3,869,929	2,054,454	(3,869,929)	
39		2,054,454	(2,054,454)	7,122,844	10,992,773	3,869,929	2,054,454	(3,869,929)	
40		2,054,455	(2,054,455)	7,122,844	10,992,773	3,869,929	2,054,455	(3,869,929)	
41		10,939,454	(10,939,454)	7,122,844	30,102,773	22,979,929	10,939,454	(22,979,929)	
42		14,080,117	(14,080,117)	7,122,844	30,103,340	22,980,496	14,080,117	(22,980,496)	
43		10,805,498	(10,805,498)	7,122,844	47,403,284	40,280,440	10,805,498	(40,280,440)	
44		14,667,548	(14,667,548)	7,122,844	47,371,233	40,248,389	14,667,548	(40,248,389)	
45		14,666,661	(14,666,661)	7,122,844	50,039,096	42,916,252	14,666,661	(42,916,252)	
46		10,465,675	(10,465,675)	7,122,844	50,038,360	42,915,516	10,465,675	(42,915,516)	
47		405,862	(405,862)	7,122,844	50,041,811	42,918,967	405,862	(42,918,967)	
48				7,122,844		(7,122,844)		7,122,844	
49				7,122,844		(7,122,844)		7,122,844	
50				7,122,844		(7,122,844)		7,122,844	
	75,175,713	118,895,202	(43,719,489)	213,685,320	540,290,757	326,605,437	118,895,202	(251,429,724)	

Savings 19-24	65,182,597
Expense 25-47	(108,902,086)
	(43,719,489)

Savings 19-24	44,360,597.00
Expense 25-50	(295,790,321.00)
	(251,429,724)

ADDENDUM 6

UPIF

Per the Second Amended and Restated Utilities System Revenue Bond Resolution; section 510: Utilities Plant Improvement Fund

Funds from UPIF may be used to:

1. Pay for Debt Service on both, Senior Lien and Subordinated Bonds.
2. Pay for cost of extensions, enlargements/additions, or replacement of capital assets of the system and emergency repairs.
3. Pay for purchasing, redeeming bonds and/or subordinated indebtedness bonds (meeting purchase price and redemption price requirements).
4. Pay for O&M expenses if it is determined funds in UPIF is in excess of the requirements and other funds are not available to pay O&M expenses.

Interest income earned on investments in UPIF, will be deposited into the Revenue Fund.

Flow of Funds for UPIF:

Inflows (+) into UPIF: 50% of Net Revenue (less debt service)

Outflows (-) from UPIF: capital and debt service contributions from UPIF are determined by the corporate model using parameters that will ensure necessary funds available for reserves and liquidity needs.

In regards to the 2019 financing: $23M is requested from the upcoming financing to pay for budgeted capital expenses for electric, water, wastewater, and gas systems from UPIF for FY 2019. Per FY19 approved budget, $51M was budgeted for capital expenditures; if approved, only $28M will be expended from UPIF therefore replenishing UPIF balance.

The usage (other than de minimis) of UPIF for other than capital construction will put further pressure on future debt service.

ADDENDUM 7

UF Utility Review - 2018

UF Payments to GRU:

University of Florida - $8.4M – June 2017 – May 2018
Includes utilities expenses for water, electric, natural gas, wastewater treatment sludge disposal/hauling services as well as other items paid to GRU as reported through UF financial system. GRU provides power to Innovation Square and to the UF East Campus on Waldo Road. (Does not include Shands, UAA, or other DSO / affiliates).

UF Health / Shands - $20M – July 2017 – June 2018
Shands UF - $19,532,118
Rehab hospital (vista) - $551,950

Total UF and UF Health 2017-2018 year: $28.4M

UF Payments to Duke Energy Florida for year:

University of Florida's Main Campus – $39.0M
(Includes UF Health / Shands properties north of Archer Road.)
Electric - $36.4M
Steam - $2.6M

Total Utility Payment: $67.4M

GRU provides 42% of UF utilities.

Estimated impact of buying electrical service from GRU at the current commercial retail rates.

$17.6M Increase from FY17-18 (based on published rate difference between GRU and DEF with FY2018 consumption)

ADDENDUM 8

1/31/2019

OPTION 1	**Revenue**	**Initial Cost**	**Net Revenue from Sale**	**Annual Cost**	**Annual Savings (Maintenance & Utilites)**
Sell Administration Building	$11,150,000.00	($1,000,000.00)	$10,150,000.00		$600,000.00
Lease Back 1st Floor and Computer Room at Admin Bldg $12/sf x 20,118sf				(241,416.00)	$358,584.00
Relocate Remaining Administration Building Employees to EOC in existing vacant Space (100 +/- employees) w/ minimal reconfiguration of existing space (initial cost includes an improved parking area)		($2,000,000.00)		(25,000.00)	
			$8,150,000.00		**$333,584.00**

OPTION 2	**Revenue**	**Initial Cost**	**Net Revenue from Sale**	**Annual Cost**	**Annual Savings (Maintenance & Utilites)**
Sell Administration Building	$11,150,000.00	($1,000,000.00)	$10,150,000.00		$600,000.00
Lease Back Computer Room at Admin Bldg $12/sf x 2,000sf				(24,000.00)	$576,000.00
Relocate everyone (including Call Center) to EOC to existing vacant space and build new 15,000sf Bldg. at EOC (Initial cost includes $300sf x 15,000sf for new bldg construction; Build out existing space in bldg 3 for 50-75 employees; improved parking at EOC; relocation costs)		($6,000,000.00)		(175,000.00)	
			$4,150,000.00		**$401,000.00**

OPTION 3	Revenue	Initial Cost	Net Revenue from Sale	Annual Cost	Annual Savings (Maintenance & Utilites)
Sell Administration Building	$11,150,000.00	($1,000,000.00)	$10,150,000.00		$600,000.00
Lease Back Computer Room at Admin Bldg $12/sf x 2,000sf				(24,000.00)	$576,000.00
Relocate everyone (175 +/- people - includes Call Center) to EOC existing space by reconfiguring all of Bldgs 1, 2, and 3 (Right Sizing Space)		($5,000,000.00)		(25,000.00)	
			$5,150,000.00		**$551,000.00**

OPTION 4	Revenue	Initial Cost	Net Revenue from Sale	Annual Cost	Annual Savings (Maintenance & Utilites)
Sell Administration Building	$11,150,000.00	($1,000,000.00)	$10,150,000.00		$600,000.00
Lease Back Computer Room at Admin Bldg $12/sf x 2,000sf				(24,000.00)	$576,000.00
Lease Office Space in SE or NE for Customer Contact Center (40 people) $18/sf x 4,000sf		($50,000.00)	$10,100,000.00	(72,000.00)	$504,000.00
Relocate Remaining Administration Building Employees to EOC in existing vacant Space (135 +/- employees) w/ minimal reconfigurations (Initial cost includes an improved parking area)		($2,500,000.00)		(25,000.00)	
			$7,600,000.00		**$479,000.00**

ADDENDUM 9

Proposed GRU Hiring Freeze – A Cost/Benefit Analysis

Abstract
During a recent General Policy Committee meeting, the City Commission discussed ways in which GRU might reduce both Capital and Operating & Maintenance (O&M) costs for the FY 2019-20 fiscal year. One option to be considered is a GRU hiring freeze.

Problem Statement
There are costs, benefits, and best practices associated with implementing a hiring freeze. When costs exceed benefits of a particular business decision, it prudent to consider alternatives that may achieve the business objective. In this case, the objective is to reduce labor costs for a specified period of time. Several options to achieve that objective are provided.

Background
A hiring freeze is best utilized when an organization experiences a downturn in its business and the employer decides to temporarily stop hiring employees for all non-essential positions. This allows the employer time to consolidate current employees and/or restructure so that the work that is essential for serving customers is carried out.

GRU has not experienced a downturn in the number of customers receiving the essential services it provides. In fact, the number of GRU customers has increased by approximately 4,500 since 2009 while the number positons allotted to deliver services has been held constant in response to budget constraints in recent years. The result is that GRU does not have non-essential positions available to freeze. GRU currently has only three more positions available to fill as it did in 2009: 838.75 currently compared with 835.75 in 2009, after the vacancy factor is applied.[i]

When looking at vacant positions at a point-in-time, we were able to determine the costs, benefits and risks that would be associated with a traditional hiring freeze. These are shown in the following table.

COSTS **<u>Direct Costs</u>** • Maintaining proper number of employees to operate 24/7/365 plants –Overtime and Temporary labor costs increase • Delays in the talent acquisition process; currently takes 100+ days to fill positions; more significant effect when restarting hiring process (Cost-per-hire increases) **<u>Indirect Costs - Current Employees</u>** • Negative impact to Employer Brand • Communicates a message to employees that they are the problem • Distresses and worries the workforce the longer positions go unfilled • Leads to decreased morale as employees take on more work at current pay; could lead to unwanted turnover • Leads to confusion for departments **<u>Indirect Costs - Potential Candidates</u>** • Limits ability to attract top talent who look elsewhere • Viability of organization comes into question • Negative impact to Employer Brand

BENEFITS
$439,929 Annual Savings
RISKS **Reduction in** • Ability to deliver core services • Reliability • Customer Service • Preventive Maintenance of aging infrastructure leading to increases in system failure, SSOs, etc. • Timely bills and resolution of billing questions **Increase in** • Safety incidents • Overtime (may exceed cost to fill positions by paying time and one-half) • Turnover **Delays in** • Financial reports and statements • Roll-out of new GRUCom products (Voice Service product line) affecting planned revenue • Capital improvement projects **Other Risk Factors** • Compliance with NERC Regulatory Standards • Impact to all I.T. Systems • Potential impact on contractual obligation (GRUCom) • Limits ability to make smart business decisions involving talent

Solution

GRU currently engages in a non-traditional form of hiring freeze as a standard practice by applying a vacancy factor. We reduce the total payroll budget (salaries and benefits @34%) of $87,985,832 by $5,279,150 annually by accounting for a 6% vacancy factor. This means that GRU routinely holds 53.5 positions vacant that would otherwise cost the utility just over $5 million in salaries and benefits each year.

In 2018, GRU's actual vacancy factor was 6.63%. Based on 2018 actuals, we could consider increasing our vacancy factor by .5%, with an increased savings of $439,929, holding an additional 4.5 positions vacant. As previously mentioned, GRU does not have non-essential positions budgeted. Therefore, we could see a reduction in safety, reliability, environmental compliance or service with an increase in the vacancy factor.

Conclusion

Some experts say they doubt that hiring freezes save money in the long run. Freezes typically cause more work and reduced engagement among existing employees, prompting some of the best to leave.[ii] Based on the negligible savings associated with an increase in the vacancy factor, coupled with the associated costs and potential risks, this solution is not recommended as a way to reduce costs. We recommend GRU continuing to utilize a 6% vacancy rate as a way to mitigate labor costs.

[i] 2009 - 879.75 FTEs with a 5% vacancy rate –> net 835.75 positions to be filled
2018 – 892.25 FTEs with a 6% vacancy rate –> net 838.75 positions to be filled

[ii] Society for Human Resources Management web article by Steve Bates 2/23/17

ADDENDUM 10

Shortfall Scorecard

Options	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Status Quo	$ (12.2)	$ (13.1)	$ (10.2)	$ (6.9)	$ (7.8)	$ (6.8)	$ (7.6)
1 Debt Restructure	9.9	12.3	12.9	10.3	8.6	10.2	(2.1)
2 Wholesale Power Contracts	-	-	-	-	-	-	-
3 UPIF Funding	-	-	-	-	-	-	-
4 UF Power on-campus	-	-	-	-	-	-	-
5 Customer Service options	-	-	-	-	-	-	-
6 Right-size facilities	-	7.6	0.5	0.5	0.5	0.5	0.5
7 Hiring freeze	-	-	-	-	-	-	-
8 Travel limitation	-	0.1	0.1	0.1	0.1	0.1	0.1
9 Paper bill charges	-	0.4	0.4	0.4	0.4	0.4	0.4
10 EV's	-	-	-	-	-	-	-
11 On-boarding NAES employees	-	0.3	0.3	0.3	0.3	0.3	0.3
12 Expansion of GRU Com	-	-	-	-	-	-	-
13 Rehab Unit # 8 at Kelly	-	-	-	-	-	-	-
14 Service level reductions	0.5	2.0	2.0	2.0	2.0	2.0	2.0
Add't 1 New GFT	-	6.0	6.0	6.0	6.0	6.0	6.0
New cash flows	(1.8)	15.6	12.0	12.7	10.1	12.7	(0.4)